

SPEECH BY: DATO' SERI DR MAHATHIR BIN MOHAMAD
(PRIME MINISTER)

EVENT: MAJLIS PERASMIAN KILANG MEGASTEEL DI BANTING, SELANGOR

VENUE: BANTING, SELANGOR

DATE : 23 OCT 2000

TIME:

Saya ucapkan terima kasih kepada Yang Berbahagia Tan Sri William Cheng kerana menjemput saya untuk merasmikan pembukaan kilang Megasteel di Banting hari ini. Pembukaan kilang berharga 2.5 bilion Ringgit ini adalah penting kerana ia melambangkan keyakinan dan kepercayaan para pelabur tempatan dalam pembangunan perindustrian negara. Tahniah diucapkan kepada para pelabur tempatan yang memegang 88 peratus ekuiti syarikat ini kerana berpandangan jauh untuk melabur dalam sebuah projek yang berintensifkan modal. Ia juga sekali lagi membuktikan semangat "Malaysia Boleh" di kalangan pelabur negara ini.

2. The opening of this plant is taking place at an opportune time, when the Malaysian economy is showing signs of better times ahead, with a Gross Domestic Product (GDP) growth rate of 10.3 per cent in the first half of 2000. With the exception of the agriculture sector, all other sectors of the economy recorded a positive growth rate. The manufacturing sector was once again the main engine of growth, recording a 24.7 per cent growth rate. Based on the encouraging performance of the economy so far this year, we are on track to achieve our target of 5.8 per cent GDP growth this year. In fact, there are even indications that our growth rate may exceed this figure.

3. Malaysia has emerged from the crisis far better than most other countries that were affected. We also learnt a valuable lesson from the crisis. Prior to the imposition of selective exchange controls, our businessmen were adversely affected as a result of the volatility of the Ringgit. It is because of the policies we instituted, that we were able to stabilise our currency and salvage our banks, businesses and many distressed companies. It is now widely recognised that our selective exchange controls has brought about the necessary stability in the Malaysian economy and enabled economic recovery to take place.

4. It was gratifying to note that even during the crisis period, investor confidence in the country remained strong. The Government, on its part, continued with vigour to pursue pro-business policies, in order

to ensure that the investment climate in the country remained conducive for businessmen to conduct their normal business activities, without any anxiety. We had assured them that our measures were merely aimed at containing speculation on the Ringgit and the short-term capital flows on the domestic economy, and that the Government would not infringe upon investors' rights.

5. It is because of these assurances, investors felt confident about investing in Malaysia even during the crisis period. Between 1997 and July 2000, we had approved 81.3 billion Ringgit worth of investments in the manufacturing sector. For the period January-July 2000, we have received applications for investments totaling 17.5 billion Ringgit which has surpassed the 1999 level. Of the investments received, 8.8 billion Ringgit was domestic investments and 8.7 billion Ringgit was foreign direct investments. Investors, both local and foreign, continue to invest in the manufacturing sector not only through new projects, but also by expanding and diversifying their existing operations in the country.

6. Investments today go beyond basic manufacturing operations and include related support services such as R&D, software development, product design and engineering, marketing, distribution, as well as the procurement of parts. Malaysia has also received commitments from several multinational corporations or MNCs to invest considerable amounts in the set up of integrated manufacturing centres or IMCs.

7. Malaysia clearly continues to be an attractive location for investors in the manufacturing sector. The country's success in attracting investments is attributed to a variety of factors which include the promotional measures undertaken by the Government, and the prevailing stable political and socio-economic environment. The Malaysian manufacturing sector today continues to attract a diverse range of investments including the iron and steel industry.

8. The iron and steel industry continues to attract a substantial amount of investments. In 1999, 21 projects were approved in this sector involving a total capital investment of 1.26 billion Ringgit. Domestic investment accounted for 1.04 billion Ringgit or 82.4 per cent of the total investment. From January-July this year, 11 projects with investments totalling 300 million Ringgit were approved, of which domestic investment amounted to 58.5 million Ringgit or 19.5 per cent.

9. The industry today assumes a pivotal role in the overall economic development of the country. It is directly linked to the growth and development in the building and construction sector, and it is also an

essential supporting industry for a variety of industries in the manufacturing sector. As Malaysia continues to move up the industrial ladder, the consumption of steel is anticipated to increase in tandem.

10. Advancements in technology and the changing global patterns of utilisation present many opportunities for the steel industry. It is expected that steel will remain the basic raw material in the field of construction, transportation, power generation and mechanical engineering. Steel offers a good potential for new combinations of alloys, shaping, heat and surface treatment as well as new compounds for new components. Despite the advancements in electronics and the use of new materials, steel would remain an important material in the 21st Century.

11. The Megasteel plant here is the first steel mill in Malaysia to produce "Hot Rolled Coils" which are a vital material for the manufacturing sector. Cold-rolled millers and downstream end users in the manufacture of a wide range of items including steel pipes, steel drums, gas cylinders, household appliances and other steel fabricated products will consume the Hot Rolled Coils produced by Megasteel. The Megasteel project signals a shift from the industry's traditional use of long steel products such as steel bars and steel billets towards integrated steel production of flat products such as Hot Rolled Coils.

12. Malaysia still imports a substantial amount of our requirements for Hot Rolled Coils. In 1999, Malaysia imported 1.7 billion Ringgit worth of Hot Rolled Coils. Therefore, the establishment of such a project will enable us to save on foreign exchange through a reduction in imports of Hot Rolled Coils, in addition to contributing towards further downstream processing in the iron and steel industry in Malaysia. The linkages from this project with the other sectors in the economy will provide an avenue for new areas of growth within the Malaysian economy. In the long-term, projects such as this will help to ensure that the basic materials required for end-users is readily available in Malaysia at competitive prices.

13. I am glad to note that the plant here, which is fully automated and using the Electric Arc Furnace-Compact Strip Production process, incorporates thin slab-casting technology from Germany. This technology is recognised worldwide as the most up-to-date technology in the production of high quality flat steel coils, with higher production yields and energy savings.

14. Malaysia will continue to emphasise the importance of such high value added and high technology projects

in her current and future industrial development. We realise that technology today is imperative, and an important factor for a country to maintain its competitive edge. Malaysian companies should continue to focus on upgrading their existing operations through the introduction of new technologies, innovations and modernisation.

15. This high technology investment by Megasteel is welcomed, as it exemplifies the dynamic character of Malaysian entrepreneurs. They are prepared to embark on capital-intensive ventures with long gestation periods. Now that the economic recovery is in place, Malaysian companies should be in a better position to invest in new projects or expand their existing projects to cater for both the Malaysian and the regional markets.

16. There may be many sceptics who may question the potential value of such a large investment in the steel industry undertaken by a Malaysian company. However, we must note that the availability of this type of steel will ensure that this basic raw material is available in Malaysia and will allow end users access to this product. In the long term, Malaysian companies who will be the principal end users will stand to benefit from such ventures.

17. Like any other business enterprise, the steel company of the future will continually have to ensure that international quality products are produced at competitive prices, in order that the end users, which are mainly medium sized companies, can benefit from sourcing the materials locally. The producers of steel-based raw material must also make sure that their products are competitively priced so that Malaysian products remain competitive.

18. Dengan kata-kata ini, saya dengan sukacitanya merasmikan pembukaan kilang Megasteel di Banting ini dengan harapan ia akan mencapai kejayaan di masa akan datang.